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Global initiatives: International Comparison Programme

Report on the 2011 round of the International Comparison Programme in Asia and the Pacific

Note by the secretariat¹

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¹ The present document was submitted by the Asian Development Bank.

I. Introduction

1. The International Comparison Programme (ICP) is a large statistical undertaking implemented upon the recommendation of the United Nations Statistical Commission. Seven phases have been conducted prior to the current 2011 ICP round. The latest was Phase VII conducted for reference year 2005, which was undertaken after the Statistical Commission at its twenty-ninth session, in February 1997, decided to review the ICP.² A consultant, Mr. Jacob Ryten, was engaged to prepare and submit a report (see E/CN.3/1999/8). An important result of the Ryten report was the decision that the ICP was an important project that should be continued but with better funding and governance arrangements. A group of “Friends of the Chair” was convened by the Statistical Commission to report on a number of issues, particularly the choice of purchasing power parity (PPP) or market exchange rates to adjust economic data to a common currency.³ Their report (E/CN.3/2001/18)⁴ strongly reiterated that PPPs provide a more appropriate and robust method of making international comparisons than market exchange rates do because, as PPPs directly reflect differences in the price levels of the goods and services in the economies being compared.

2. The ICP is not only a costly undertaking for all national statistical offices (NSO) involved in the participating countries, but also time and resource intensive. Thus, the World Bank operated the 2005 ICP on a regional basis, spread the workload, and involved organizations that had close relationships with participating countries in each of the regions. The programme had six regions, five of which were geographically determined and with the sixth “region” composed of countries in the 2005 round of the OECD/Eurostat PPP Programme. The five geographic regions were Africa, Asia and the Pacific, Commonwealth of Independent States, Latin America, and Western Asia. At its twelfth session, in November 2001, the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) working group of statistical experts discussed a paper on the “International Comparison Programme: Plans for Asia and the Pacific”. As a result, the Asian Development Bank (ADB) was invited to coordinate ICP work in the Asian and Pacific region under the overall guidance of the ICP Global Office at the World Bank.

3. In February 2008, the United Nations Statistical Commission at its thirty-ninth session endorsed the continuation of the ICP with reference year 2011 (ICP 2011) and requested the World Bank to be the global coordinator. In turn, the World Bank invited ADB through its Economics and Research Department to once again be the Regional Coordinator for Asia and the Pacific.

II. Purpose of the ICP

4. The ICP aims to provide information that will inform policies on economic development both at the national and international levels. It is

² See *Official Records of the Economic and Social Council, 1997, Supplement No. 4* (E/1997/24-E/CN.3/1997/29), Chap I, para. 13 (j-1).

³ See *ibid.*, 2000, *Supplement No. 4* (E/2000/24-E/CN.3/2000/21), para. 12.

⁴ UNDP Human Development Report - Report by the Friends of the Chair (E/CN.3/2001/18). Available from <http://unstats.un.org/unsd/statcom/doc01/2001-18e.pdf>.

also extremely useful for poverty measurement and monitoring. ICP data are closely monitored by regional and international development organizations as unbiased measures of relative levels of development across countries, and as a basis for decision making regarding structural adjustment and poverty alleviation.

5. The ICP provides purchasing power parity statistics that allow cross country comparison of gross domestic product (GDP) in real terms. To compare countries, it is necessary to convert the GDP's in each country into a common currency using either exchange rates or PPPs. PPP-based GDPs are free of price and exchange rate effects.

6. The ICP is designed to produce two important statistics:

(a) Volume measures that allow true comparisons of total and per capita GDP between participating countries. Volume measures are derived when the country's GDP is converted into a common currency using PPPs;

(b) Measures of differences in price levels of participating countries. The volume of GDP for each country can be expressed in a common currency after eliminating price differences.

A. Use of volume measures

7. Volume measures can be used to make comparisons of total and per capita GDP of participating countries. While total GDP indicates the size of the economy in comparison with others, per capita GDP, which is the internationally accepted measure of standards of living, provides a comparison of the standard of living between countries. For example, how do living standard in Thailand compare with countries in the region. Aside from these, volume measures can also be used to analyse the extent of convergence in real incomes and prices across countries; measure levels and trends in equality between countries or regions.

8. Volume measures are also used to standardize key ratios. For instance:

(a) Energy used per unit of GDP converted to a common currency using PPPs;

(b) Carbon dioxide emissions per unit of GDP converted to a common currency using PPPs;

(c) Expenditures on health and education as percent of GDP with both the expenditures and GDP converted using PPPs.

B. Use of price level indices

9. The price level index (PLI) is the ratio of the PPP to the exchange rate. PLIs measure differences in the general price levels of countries. PLIs can be used to:

(a) Identify goods and services where a country has a comparative advantage versus other countries;

(b) Compare costs of investments in fixed assets—buildings, civil engineering, machinery and equipment, and the like—with costs in other countries;

(c) Compare the costs of producing government services such as health, education and general administrative services with costs for the same services in other countries;

(d) Evaluate poverty levels on a comparable basis with other countries using the dollar per day measures;

(e) Indexes of price competitiveness of different countries as tourist destinations.

The uses mentioned above are just some examples of the relevance and the diversity of areas for PPP use.

C. Purchasing power parities and exchange rates

10. PPPs, however, cannot be used to determine the correct exchange rate for a country, nor can they be used to predict exchange rate movements over time. There are two main reasons why there is no link between PPPs and exchange rates:

(a) Many of the goods and services whose prices are used for PPP computation cannot be internationally traded. Thus, their prices are not relevant to the exchange rate. These include construction, government services, and mostly privately produced personal and business services;

(b) Exchange rates are determined by international financial flows, and demand for goods and services.

III. Objectives of the 2011 ICP round

11. The main objectives of the ICP 2011 round are to broaden the scope of the programme, reach out to users, enhance statistical capacity-building activities and introduce innovations and improvements to the ICP methodology.

A. Broaden the scope of the ICP

12. The 2005 round was better planned, managed and coordinated at the global, regional and country level. The 2011 round intends to leverage on what worked well in the 2005 round and introduce new elements, including enhancing the infrastructure of national statistical systems, streamlining quality assessment processes, improving the ICP methodology, and increasing the coverage of participating countries. A total of 146 countries participated in the 2005 round. For the current round, it is expected to record about 170 countries, including smaller countries from the Caribbean and the Pacific islands, most of which did not participate in the previous round. The ICP historical participation of the Asian and Pacific region is shown in table 1 below.

Table 1
Asia-Pacific participation in the ICP

ICP phase	Benchmark year	No. of Participating parties	Asia Pacific participation
I	1970	10	India and Japan*
II	1973	16	India, Iran (Islamic Republic of), Republic of Korea*, Malaysia, Philippines
III	1975	34	Iran (Islamic Republic of), India, Japan*, Republic of Korea*, Malaysia, Philippines, Pakistan, Sri Lanka, Thailand
IV	1980	60	Hong Kong, China; India; Indonesia; Japan*. Republic of Korea*; Pakistan; Sri Lanka
V	1985	64	Bangladesh; Hong Kong, China; India; Iran (Islamic Republic of); Japan*; Republic of Korea*; Nepal; Pakistan; Philippines; Sri Lanka; Thailand
VI	1993	117	Bangladesh; Hong Kong, China; Indonesia; Japan*; Republic of Korea*; Lao People's Democratic Republic; Malaysia; Nepal; Pakistan; Philippines; Sri Lanka; Thailand; Viet Nam
VII	2005	146	Bangladesh; Bhutan; Brunei Darussalam; Cambodia; China; Fiji; Hong Kong, China; India; Indonesia; Iran (Islamic Republic of); Lao People's Democratic Republic; Macao, China; Malaysia; Maldives; Mongolia; Nepal; Pakistan; Philippines; Singapore; Sri Lanka; Taiwan Province of China; Thailand; Viet Nam
VIII	2011	160	Bangladesh; Bhutan; Brunei Darussalam; Cambodia; China; Fiji; Hong Kong, China; India; Indonesia; Lao People's Democratic Republic; Macao, China; Malaysia; Maldives; Mongolia; Myanmar; Nepal; Pakistan; Philippines; Singapore; Sri Lanka; Taiwan Province of China; Thailand; Viet Nam

* Although Japan and the Republic of Korea are part of Asia, in more recent years they have been included in the OECD comparison.

B. ICP outreach activities

13. The ICP has generally been perceived as a requirement of international organizations and has little relevance to national planning or policy work. To address this view, the ICP Global Office is preparing an outreach strategy aimed to increase awareness, understanding and use of ICP data. The strategy will outline the most effective way to reach ICP communities and stakeholders at all levels, including international, regional, national organizations, as well as the private sector and academia. The strategy also aims to suggest effective means of sharing ICP knowledge and disseminating relevant results.

14. In an effort to reach out to users, an ICP user's conference as recommended by the United Nations Statistical Commission at its fortieth session will be held on 19 October at the World Bank headquarters.

C. Statistical capacity-building activities

15. The ICP 2011 executive board in its first meeting held on October 14, 2009, indicated that “there is a need to highlight the capacity-building elements in the ICP, and link them to the capacity-building agenda of PARIS21. There is also a need to establish synergies with other capacity-building programmes such as the System of National Accounts (SNA). The capacity-building needs of the countries should be assessed in the planning stage”. The Board recommended that “a strategy paper on the capacity-building elements of the ICP and links to the capacity-building agenda of PARIS21 should be prepared”.⁵

16. This strategy paper will establish synergies between the capacity-building elements of the ICP and the agenda of PARIS21, especially the design and implementation of National Strategies for the Development of Statistics.

17. ICP experiences in the 2005 round were fruitful and successful in most regions, as the results of the ICP not only provided a crucial information base for research, but capacity-building was seen as the most defining aspect of the ICP. Many countries acknowledged that their ICP experience served as capacity-building platforms in the areas of prices and national accounts statistics. It is expected that more substantial benefits will be derived from the 2011 exercise by mainstreaming ICP activities through greater integration of ICP with national strategies, in particular with regular national price collection and national accounts activities. These are aimed at enhancing the infrastructure of national statistical systems.

D. National accounts framework

18. A large part of ICP work involves identifying representative and comparable products to be priced and then collecting prices required to produce PPPs. However, national accounts are a critical part of the overall ICP. National accounts provide the values on which the real expenditures are based and the weights to combine PPPs at the most detailed level to broader aggregates (including GDP). The System of National Accounts is therefore the reference framework for the determination of PPPs. The Global Office has developed an ICP-related national accounts framework, under which detailed GDP expenditures can be compiled consistently with prices collected in ICP surveys. The 2011 ICP will use the System of National Accounts 1993 because the vast majority of countries will still be implementing this version of the system in 2011. To assist the national accountants in the countries to compile detailed expenditure values for each basic heading of the ICP classification, the Global Office has developed five tables/forms.⁶ These tables/forms will also be used to report the required expenditure values as well as the underlying metadata (data sources, basic data, reference years, adjustments made, as well as any other method used to estimate the expenditure values).

⁵ See http://siteresources.worldbank.org/ICPINT/Resources/270056-1255977007108/6483550-1255989768843/6484877-1255989800057/ICP-EB01_Minutes.docx.

⁶ The five form/tables are: (i) Reporting Form for Expenditure Values(ii) ICP basic Heading Expenditure Source Data and Metadata & Adjustment Details (iii)Price Formation – Data Entry Forms (iv) Commodity Flow Table for Important Products and (v) Variations of Per Capita National Real Expenditures (by Basic Heading).

E. Validation of price and expenditure data

19. Splitting GDP expenditures into basic headings (BH) implies that expenditures on goods and services will be disaggregated into as much detail as possible. However, this is in contrast to the usual approach, where the aggregates are derived from details. In many countries of the world, there are sundry reasons for this: the paucity of basic data sources, discrepancies in GDP estimates between the three approaches of GDP compilation, the fact that many countries do not implement the expenditure approach, the limited dimension of supply and use tables (SUT), limited human capacity, inadequacy of resources for national accounts activities, and so forth.

20. It is essential therefore to maximize the use of existing data to ensure utmost consistency in the national accounts activities for ICP: consistency between prices collected in the field and prices used in estimating GDP expenditures, between production data and expenditure data, between import prices, producer prices and purchaser's prices, between wholesale prices and retail prices, consistency and likelihood of per capita expenditures at BH level in nominal and real terms, as well as consistency of the above between countries belonging to the same economic clusters.

21. To promote these efforts, the Global Office is developing the ICP Quality Assurance Framework derived from the Data Quality Assessment Framework developed by the International Monetary Fund. The framework is structured to evaluate the quality of the 2011 round in terms of (1) ICP processes in countries, regional offices, and the Global Office, and (2) ICP input data (prices and final expenditures) and ICP output data (PPP, price level indices and volume measures). The framework is still a work-in-progress.

F. Improvements in ICP methodologies

22. Improvements mainly relate to survey frameworks and instruments for price surveys on the main household consumption products, education and health services, owner-occupied housing, compensation of government employees, construction and machinery and equipment. The survey framework for household consumption prices has been reviewed to enhance the quality and consistency of household price survey data, better delineate urban and rural areas wherever applicable, and improve spatial pricing and geo-referencing sampled outlets. A set of six forms has been designed by the Global Office to meet these requirements. Pricing education and health services, owner-occupied housing, compensation of government employees and components of gross fixed capital formation are still on the research agenda.

23. The method to link the regions and the OECD-Eurostat PPPs into global results will change from the ring approach used in 2005, to a core list approach whereby all countries will be requested to include a common set of products (global product list) in their list of products to be surveyed. The process of building the core list commenced in October 2009 and is now close to finalization. It involved an iterative process with close collaboration between the Global Office, regional coordinating agencies and national implementing agencies. As in the 2005 round, the Structured Product Description approach is used to describe the products.

24. In addition to the above, the issue of consistency in time and space analysis of PPPs will be furthered in the ICP 2011. Pilot exercises are underway in Asia and Africa using 2005 prices as benchmark and compiling PPPs for 2009 based on a reduced version of the 2005 product list.

IV. Overview of methodological framework

25. The ICP 2011 will build on lessons learned from the 2005 programme while improving existing methods and introducing innovations through a research agenda covering various ICP areas.

26. Further research on a methodology is being conducted to cover private and public education and health services. The Global Office has formed new partnerships with the relevant departments in the World Bank and external organizations that can provide technical advice.

27. Significant improvements on the ICP 2005 methodology for machinery and equipment PPP computation is being explored, including: the development of a core list; updating of the 2005 specifications; ensuring bridging between the OECD-Eurostat and the ICP lists; and a component costs method will be used as a price validation tool for machinery and equipment.

28. A review of existing methods for construction and civil engineering is being undertaken to improve data collection. Existing methods include (i) Input prices to construction (the prices paid by construction contractors for the inputs to construction work – primarily construction materials and labour) (ii) Output prices of construction (the prices of completed construction projects charged by contractors to their customers) (iii) Intermediate prices (prices used, for example, by contractors for parts of construction work, either in their own estimates or in tenders to customers) (iv) Some combination of the above. Comparable input prices are the most straightforward to collect and this method is part of an ongoing research on a identifying the methodology for construction PPPs, It is based on input prices weighted to represent national construction output, the weighting to be based on information from Supply and Use Tables or Input Output tables.

29. Owner-occupied housing is a problematic area even in the 2005 ICP. Two issues need to be addressed in the estimation of owner occupied housing: the estimation of expenditure weights and determining what price and quantity data should be provided by countries to estimate PPPs. Two methods were used in 2005 at the regional level—rentals and quantities. The rentals procedure assumes that the rents that would be paid by owner-occupiers are the same as the rents actually paid for similar dwellings. But this procedure cannot always be applied. There are cases where so few dwellings are rented that rents actually paid cannot be regarded as typical. The quantities approach uses both quantitative and qualitative data to construct a volume index. The quantitative data are, in order of preference: the useable surface of dwellings; the number of rooms; the number of dwellings. The qualitative data are the percentages of dwellings with facilities such as electricity, inside water supply, inside toilets, air-conditioning or central heating. This procedure was also not always applicable as both the quantitative and qualitative indicators were not available in many countries. Several efforts are under way to streamline the methodology for pricing owner-occupied housing. One proposal is to use

the user cost method for imputing rentals. The user cost approach consists of estimating each of the costs that owners of dwellings would need to take into account in fixing a market rent if they decided to rent their dwellings rather than living in them themselves. These costs are: Intermediate consumption (Repairs and maintenance; Insurance service charges); Land and property taxes; Consumption of fixed capital and; Net operating surplus. A decision has yet to be made on the methodology for owner-occupied housing.

30. Compensation of employees for the same 50 government occupations in 2005 will be used for PPP computation in the 2011 round. However, where necessary, minor modifications can be made in the regions to accommodate their particular conditions. Also, occupations which are not relevant for a particular country will not be included in the list of occupations. Of greater concern, however, is the “quality” problem. In the 2005 round, the issue of quality was dealt with by using productivity adjustments, although it was not implemented by all the regions. For the 2011 round, an in-depth analysis of the productivity adjustment done in 2005 will be examined to determine whether productivity adjustments need only be done for a subset of countries, and, if so, the criteria for determining the subset.

31. Use of the Structured Product Descriptions (SPD) that was introduced in the 2005 ICP round aimed to standardize the process of identifying and defining products across regions and to facilitate the matching of products both within and between regions. The same approach will be used for the 2011 comparison.

32. The most important change that was introduced to the ICP since 1980 was the regionalisation of the ICP in 2005 which required linking of regional PPP to estimate global PPP. Prior to the regionalization of the programme, ICP surveys were conducted using a common list of items in all regions, and global PPPs were calculated by pooling all price data from all the participating countries. With regionalization, participating countries are now grouped by regions, and global comparisons are carried out in two stages:

(a) First, regional surveys are conducted on the basis of region-specific baskets of goods and services, and regional PPPs are computed from the regional average prices. The regional PPPs are expressed in regional currencies, for example, Hong Kong dollar for Asia;

(b) Second, regional results are linked to estimate a globally consistent set of PPPs expressed in a common international currency, often the United States dollar.

33. In the 2005 round, the ring country concept was used to link the regional PPP into the global PPP. A subset of countries (ring countries) from each region was required to price a list of products representing the world, termed the “ring product list”.⁷ Annual average prices of the ring product list from the various regions were used to calibrate the regional PPP to arrive at the global PPP. The ICP 2011 will depart from the ring method. A core list approach will be implemented instead where all participating countries across all regions would be required to price a core list of

⁷ The Philippines, Malaysia, Sri Lanka and Hong Kong, China, represented Asia and the Pacific. In addition, there were 14 countries from the other regions.

products (global list) which would also be included in each regional list. This will facilitate the process of linking the regions to the world. The Global Office will be guided by the Technical Advisory Board the methodology for the linking process.

V. Governance framework

A. Governance framework at the global level

34. The governance framework establishes institutional responsibilities and organizational arrangements. It specifies the roles and responsibilities of the executive, managerial and advisory bodies, and the procedures that they follow, which ensure that the ICP is run to high standards both globally and regionally.

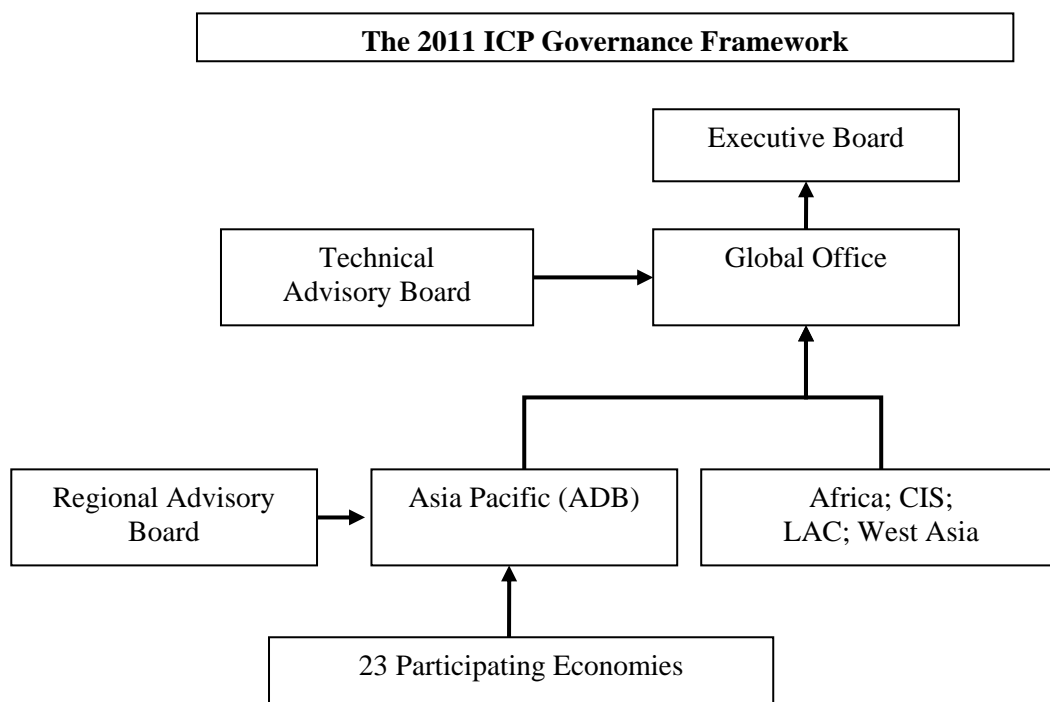
35. The global governance structure of the 2011 ICP is composed of the following:

(a) Executive Board – provides leadership, determines strategic priorities, and approves annual work programmes;

(b) Technical Advisory Group – advises on the technical issues linked to the conceptual integrity and methodological adequacy of the ICP;

(c) Global Office – housed in the World Bank, manages the day-to-day coordination of the programme, working closely with regional and national offices;

(d) Regional Offices – Regional coordinating agencies are partners of the ICP Global Office in Africa, Asia and the Pacific, Western Asia, the Commonwealth of Independent States, and Latin America. Each regional office has a regional coordinator and its own advisory board. Independent of the ICP, Eurostat and OECD jointly coordinate their regular programme of volume and price comparisons.



36. The United Nations Statistical Commission is tasked with constituting the ICP Executive Board (EB), ensuring adequate representation by key countries and regional organizations; form the EB through a formal invitation issued jointly by the Director of the United Nations Statistics Division and the Chair of the ICP Friends of the Chair (FOC) working group. The United Nations Statistical Commission will review and act upon issues raised by the EB in its annual progress reports to the Commission; the Commission will provide guidance to the EB regarding outreach, advocacy, and coordination with other initiatives, especially the implementation of the 1993/2008 System of National Accounts. It will also form a group of Friends of the Chair, as needed, to guide or to evaluate the ICP process and, through the FOC group, collect feedback and agree on ways to improve the ICP processes and procedures.

37. The Development Data Group in the World Bank hosts the ICP Global Office. The Global Office's activities are financed from the ICP Global Trust Fund established at the World Bank.

B. Governance framework at the regional level

38. The ADB designated its Development Indicators and Policy Research Division as the unit responsible for implementing the regional programme. The ICP Team is headed by the Lead Professional for Statistics and Statistical Capacity Building and the national statistical offices in 22 ADB member economies and 1 non-ADB member economy⁸ implement the national ICP programmes.

39. The ICP governance framework reflects an essential congruence of national, regional and international interests centred on a bottom-up approach. Under this framework, the ICP is a partnership based programme, with no single agency playing a dominant role. The framework bestows full ownership of the programme to national and regional stakeholders, and establishes a well-coordinated and effective national, regional, and global management structure. The NSOs are now very active partners in ICP processes with open lines of communication and consultation throughout the duration of the programme.

40. Three levels of partnership will be forged: (i) with participating ADB member economies; (ii) with the ICP Global Office at the WB; and, (iii) with the Regional Advisory Board (RAB), the highest policymaking body for ICP Asia-Pacific.

41. A Framework of Partnership (FOP) between ADB and the participating economies establishes the general framework to guide the programme of work between ADB as the "Regional Coordinating Agency" and the national statistical offices as the "national implementing agencies" for the management and implementation of the 2011 ICP for Asia and the Pacific. FOP will operate under the overall guidelines established in the memorandum of understanding between the World Bank and ADB.

⁸ Bangladesh; Bhutan; Brunei Darussalam; Cambodia; China; Fiji; Hong Kong, China; India; Indonesia; Lao People's Democratic Republic; Macao, China; Malaysia; Maldives; Mongolia; Myanmar; Nepal; Pakistan; Philippines; Singapore; Sri Lanka; Taiwan Province of China; Thailand; and Viet Nam (Macao, China, is not an ADB member).

42. All participating ADB member economies are requested to formalize their participation by signing the Letter of No Objection (LNO) to the implementation of the ICP 2011 Asia-Pacific activities in their respective geographic territories. For member countries eligible to receive seed funds from ADB, an Advance Payment Facility stipulating requirements for its use and liquidation has to be signed as well.

43. The activities of the ICP involve both price (to undertake the price surveys) and national accounts (to provide the required GDP weights for at the basic heading level for PPP computation) experts. At the country level, the national statistical offices are requested to designate a national coordinator who is recommended to be a price expert and a deputy national coordinator preferably from the national accounts department. The national coordinators are the focal point for communications and they oversee ICP activities at the national level.

44. A memorandum of understanding between the World Bank (as the ICP Global Office) and ADB (as the Regional Coordinating Agency) has been formulated to define the role and responsibilities of both agencies. The ICP Global Office is responsible for the overall leadership and coordination, to guide the regional ICP programme, and to ensure procedures and methods are comparable across regions. The ADB, in collaboration with the ICP Global Office, will provide the overall management and coordination of the regional data collection, analysis, validation, and estimation efforts in the Asia and Pacific region.

45. As in the 2005 round, a regional advisory board has been established for the 2011 round to advise the ICP Asia-Pacific regional coordinator. It includes representatives of national and regional stakeholders. It is not an executive body and is not involved in the day-to-day management of the ICP. The terms of reference for the regional advisory board are as follows:

(a) Provide guidance in setting up regional goals, priorities and objectives, taking into consideration the statistical needs of regional agencies and countries;

(b) Monitor and guide annual work programmes prepared by the regional coordinator who is responsible for the day-to-day management of the regional programme;

(c) Provide a mechanism for keeping all parties involved and informed;

(d) Review annual reports on ICP progress;

(e) Advise on the sustainability of the programme;

(f) Assist in shaping the vision of ICP for future direction.

46. Responsibility for the ICP within regions is shared between national and regional agencies. National statistical offices carry out data collection and national accounts estimation. Regional coordinating agencies provide guidance and coordinate data collection and data validation. They also put together and finalize the regional comparisons. Responsibility for ensuring that the regional comparisons can be combined in a world comparison and then combining them rests with the Global Office. Results of regional

comparisons are disseminated by regional agencies while results of the world comparison are disseminated by the Global Office.

VI. The global and regional timetables

A. Global timetable

47. The International Comparison Programme's timetable spans from 2009 to 2013 and is comprised of four main stages:

(a) The first stage includes administrative and institutional arrangements. It started with the implementation of the recommendations of the fortieth session of the United Nations Statistical Commission about the governance framework - hiring of the Global Manager; establishing the Global Office at the World Bank; initiating partnership with OECD and Eurostat; securing country participation as well as regional coordination arrangements; forming the Technical Advisory Group and the Executive Board; fund-raising and advocacy for the programme;

(b) The second stage relates to methodological preparations for the various components of the programme including the undertaking of research work. This started in April 2009 and is expected to be completed by October 2010;

(c) The third stage consists in undertaking national accounts activities (from mid-2010 to the end of the third quarter of 2013) and conducting price surveys. The main price survey on household goods and services will take place in all the countries throughout 2011, except for small countries, which, following a recommendation from the fortieth session of the United Nations Statistical Commission, will collect prices in 2012. Other price surveys (education, health, compensation of government employees, equipment, and construction) will be carried out together with the compilation of relevant expenditures data, from early 2011 to end of 2012;

(d) The fourth stage includes the preparation of preliminary and final reports by regional coordinating agencies and the Global Office. It is expected that the final global results will be available in December 2013, with the electronic and physical reports being released about 2-6 months later.

B. Asia-Pacific timetable

48. The Asia-Pacific timetable is largely guided by the global time frame. Work on the ICP Asia-Pacific commenced in late 2009 and is slated to end in December 2013. It also comprises four stages:

(a) Stage I: Formal preparation for the programme was initiated in 2009 with the 2011 ICP for Asia and the Pacific being formally approved by the ADB President in March 2010. Setting up the governance structure followed soon after, and included: Building partnerships with ADB member countries (signing of Letter of No Objection to participation; drawing up the Framework of Partnership; designating a national coordinator at country level) and setting up the regional advisory board;

(b) Stage II: This stage relates to the pre-survey operations covering the development of the 2011 product lists, both regional and

global; and drawing up of the ICP sampling survey design and frameworks by countries. Technical discussion on ICP methods is also targeted to be covered in this stage. Work on these aspects commenced in April 2010 and is expected to be completed by the first quarter of 2011;

(c) Stage III: This stage consists of data collection and validation of both price and national accounts data. Data collection by participating countries is expected to be done throughout 2011 with concurrent data submission to the regional coordinating agency. Intra- and intercountry data validation and review; and computation and validation of un-weighted PPPs at basic heading level will commence in quarter one 2011 and continue into June 2012;

(d) Stage IV: In this stage the computation of weighted PPPs and PPP adjusted GDP and major aggregates will be computed. Preparation of final PPPs for the Asian and Pacific region is expected to be ready by July 2013.

VII. Key activities of the 2011 ICP for Asia and the Pacific

49. The ADB set up a Regional Research and Development Technical Assistance (R-RDTA) - the 2011 International Comparison Programme for Asia and the Pacific,⁹ specifically to implement the 2011 ICP in the region. This R-RDTA, which started in March 2010 and is expected to end in December 2013, will compute 2011 PPP- based GDP measures for Asia and the Pacific. R-RDTA activities include: (i) setting up the governance structure (as described in the section on Governance Framework of the 2011 ICP (at the Regional Level)); (ii) pre-survey preparations; and (iii) data collection and validation and PPP computation.

50. Preparation for the 2011 ICP round in the Asian and Pacific region began as early as 2008 when ADB undertook two regional technical assistance projects upon the conclusion of the 2005 ICP round in 2007: RETA 6482 which focused on updating the 2005 PPP estimates to 2009; and RETA 6483 which focused on developing the Supply and Use Framework towards 1993 System of National Accounts compliance. Countries that had participated in the ICP 2005 were invited to participate in both these RETAs. Aside from developing a methodology for updating PPP estimates during non-benchmark years, RETA 6482 also aimed to continue the momentum built in PPP work developed during the 2005 round so that the statistical capacity acquired, in particular in implementing the Structured Product Description to ensure comparability across countries, would be further developed in the participating countries. RETA 6483 was undertaken to address GDP issues identified in the 2005 round, including the implementation of the System of National Accounts 1993 (SNA93). With the supply and use tables, a firmer basis for disaggregating GDP expenditures into the required 155 basic headings and based on SNA 93 has been established for the 2011 ICP.

⁹ Brooks, Douglas (2010). RDTA 7507: 2011 International Comparison Program for Asia and the Pacific. Regional Advisory Board Meeting, 20-21 May 2010, ADB Headquarters, Manila. Available from www.scribd.com/doc/32806942/The-2011-International-Comparison-Program-for-Asia-and-the-Pacific. Accessed 27 October 2010.

A. Governance meetings

1. Regional advisory board meeting

51. An organizational meeting of the ICP regional advisory board was held on 20 May 2010 at the ADB Headquarters, in Manila, Philippines. The Board is composed of the following members:

Chief Economist, ADB
 Australian Statistician, Australian Bureau of Statistics
 Director, Statistics Division, ESCAP
 Director, SIAP
 Director General, National Institute of Statistics, Cambodia
 Director General, International Statistical Information Center,
 National Bureau of Statistics, China
 Commissioner, Census and Statistics Department, Hong Kong, China
 Chief Statistician, Central Statistics Organization, India
 Chief Statistician, Badan Pusat Statistik, Indonesia
 Chief Statistician, Department of Statistics, Malaysia
 Administrator, National Statistics Office, Philippines
 Director, Bureau of Trade and Economic Indices, Thailand
 Ex-officio Members: ICP Global Coordinator, World Bank
 Assistant Chief Economist, ERDI/ERD, ADB
 Member Secretary: Regional Coordinator, ICP Asia Pacific, ADB

52. The basis for RAB membership are as follows:

(a) ADB – as the Regional Office for the 2011 ICP Asia-Pacific will ensure smooth implementation and day-to-day operation of the project;

(b) Institutional members – to ensure representation of ICP stakeholders in setting direction and responding to their needs for statistics in connection with policy- and decision-making;

(c) National Implementing Agency – Selected number of DMCs were invited on the basis of size of economy, subregional representation, and commitment to participate in meetings and technical discussions that may be called during the course of the 2011 ICP implementation.

53. Board members elected the chair of the ICP 2011 RAB for Asia and the Pacific and set the overall direction of the 2011 ICP Asia-Pacific programme, its governance framework, and the proposed Asia Pacific timetable for the current ICP round. The meeting was also vital in obtaining the support and commitment from stakeholders, including the ICP Global Office, international organizations and national implementing agencies.

B. Meeting of heads of national implementing agencies

54. To foster closer a working relationship with the NSOs, a meeting of the heads of the national implementing agencies was held at the ADB Headquarters, Manila, on 20 and 21 May 2010. The meeting was aimed not only at expressing appreciation for the valuable contribution of the NSOs in the 2005 round and the 2009 PPP updates in the region, but also at soliciting their active support for the 2011 round. Their commitment is vital

to the successful completion of the current round considering the resource intensiveness of ICP work. The meeting was attended by heads from 19 economies and it was organized to formalize the implementation of the 2011 ICP Asia-Pacific and to introduce to the heads of the NIA, the objectives; the Framework of Partnership between the ADB and participating countries; work programme; data and related statistical requirements; and provide some background on the proposed methods and research agenda for the 2011 ICP. The 19 ADB member economies—Bangladesh, Bhutan, Cambodia, China, Fiji, Hong Kong, China, Indonesia, Lao People’s Democratic Republic, Malaysia, Maldives, Myanmar, Mongolia, Nepal, Philippines, Singapore, Sri Lanka, Taiwan Province of China, Thailand and Viet Nam—along with Macao, China, finalized the regional work programme and deliberated on the institutional arrangements, data requirements, and proposed methods for the 2011 ICP.

C. National coordinators meeting

55. An inception workshop for the ICP 2011 Asia-Pacific was organized on 14 and 15 June 2010, at ADB Headquarters, to which both price and national accounts experts were invited, to formally introduce the programme and explain the processes and work involved. In addition, a brief technical background on methodology and data requirements was given, and the institutional arrangements on the 2011 ICP Asia-Pacific were discussed. The meeting was attended by the national coordinators appointed by the national implementing agency and the national accounts experts from 22 participating economies.

D. Pre-survey preparations

56. Pre-survey operations include: (i) the development of the product list and catalogues and; (ii) drawing up of country sampling design frameworks for conducting price surveys. A workshop on Product List Development and Preliminary Sampling Design was held from 16 to 22 June 2010 at ADB Headquarters. It was attended by the national coordinators/price statisticians from 22 economies.

57. Countries presented consumer price index (CPI) survey practices, and a sampling expert presented the sampling framework for the ICP price survey. This session (over two days) was designed to impress upon countries the requirements of the ICP price survey which would differ from the CPI price survey, but nevertheless the CPI price collection infrastructure could be used to conduct the ICP price survey. A follow-up meeting/workshop on sampling and survey framework for the 2011 ICP has been scheduled for 27 September to 1 October 2010. Detailed discussion on sample size determination, geographic coverage, outlets selection, frequency of price collection, together with number of products and number of quotations per product would be deliberated. National implementing agencies are expected to submit their preliminary sampling designs to the regional coordinating agency for technical evaluation prior to the finalization of the sampling frame.

58. Discussion on the development of the product lists, both the global and the regional (including subregional) list, ensued. Drawing up of the product lists is an intensely participative and iterative process. Identification of products along with their specifications (price-determining characteristics) is a crucial step in this process. Herein, the Structured Product Descriptions are very important. In a diverse region such as Asia

and the Pacific, it is necessary to consider subregional differences. Considerable human and financial resources are expended to prepare the product lists; and the importance of country involvement in this process to ensure that the lists are representative of each country, subregion and the Asia-Pacific region as a whole was emphasized.

59. In the current 2011 ICP round, the Asian and Pacific region has four defined subregions: Mekong (Cambodia; Lao People's Democratic Republic; Myanmar; Thailand; and Viet Nam); South-East Asia (China; Fiji; Indonesia; Malaysia; Mongolia; and Philippines); South Asia (Bangladesh; Bhutan; India; Maldives; Nepal; Pakistan; and Sri Lanka); and, High Income (Brunei Darussalam; Hong Kong, China; Macao, China; Singapore; and Taiwan Province of China).

60. Table 2 below summarizes the number of household products (regional including subregional) by category based on the preliminary list as of September 2010. A total of about 740 products (goods and services) are included in the household product list, but the number is likely to change once actual price collection commences in 2011.

Table 2
The Asian and Pacific regional household product list (Preliminary)

Categories	No. of Products
Food and non-alcoholic beverages	244
Alcoholic beverages, tobacco and narcotics	24
Clothing and footwear	80
Housing, water, electricity, gas and other fuels	14
Furnishings, household equipment and routine maintenance of the house	94
Health	79
Transport	48
Communication	14
Recreation and culture	67
Education	6
Restaurants and hotels	21
Miscellaneous goods and services	49
Total	740

61. A preliminary global list drawn up by the Global Office in consultation with all the ICP 2011 regions (Africa; Asia Pacific; Commonwealth of Independent States; Latin America and the Caribbean; West Asia; and OECD/Eurostat) was provided by the Global Office in May 2010. The list consisted of 570 household products for pricing. This list was also debated at the workshop with particular focus on availability and its importance in the country and in the region. Based on feedback provided by all of the regions, an updated list has been prepared for pricing. The updated list consists of 601 household products. Table 3 summarizes the global list.

Table 3
The global product list (Preliminary)

Categories	No. of Products (May 2010)	No. of Products (August 2010)
Food and non-alcoholic beverages	169	189
Alcoholic beverages, tobacco and narcotics	16	16
Clothing and footwear	51	53
Housing, water, electricity, gas and other fuels	15	16
Furnishings, household equipment and routine maintenance of the house	74	75
Health	62	64
Transport	64	64
Communication	13	13
Recreation and culture	44	45
Education	8	8
Restaurants and hotels	27	28
Miscellaneous goods and services	27	30
Total	570	601

E. Post-survey activities

1. Data collection

62. Participating economies will conduct monthly price surveys for household items based on approved sampling designs and price collection methods. They will be required to submit the pre-validated price information: individual price quotations, national annual average prices, coefficients of variation, and total number of quotations for each product or service priced every month commencing January 2011. For the non-household sectors (construction, machinery and equipment, and government compensation), the periodicity and manner of price collection will be closely linked to the TAG recommendations. Countries would also be requested to provide a detailed breakdown of their 2011 final GDP expenditures by basic heading; and, 2011 midyear population.

2. Validation

63. To ensure comparability and reliability of price data at the country and regional levels, intracountry and intercountry price validation activities will be done. These will include analysis of price diagnostics using the Dikhanov and Quaranta tables, which are the standard ICP data editing and validation tools. Similarly, GDP weights will be reviewed and validated to ensure compliance with the 1993 System of National Accounts, and diagnostic tests will be run. Regional and subregional data validation and review workshops will be conducted to address concerns arising from price collections and to increase reliability and comparability of results. The workshops will also serve as venues for national implementing agencies to develop and sustain their technical knowledge on PPP concepts and methods and further hone their expertise in conducting price surveys and validation.

3. PPP computation

64. The validated price and GDP expenditure weights data will be used to calculate PPPs at two levels: within (unweighted PPP) and above (weighted PPP) basic heading. These will be done in consultation with the ICP Global Office to ensure consistency in methodology with the other regions. An analysis of the results will be conducted and the preliminary 2011 PPP-based GDP disaggregated by basic heading will be initially presented to price statisticians, national accounts experts, national implementing agency heads, and regional advisory board members for their comments. The final results for the 2011 ICP Asia-Pacific will be presented in a concluding workshop after which the necessary data will be provided to the ICP Global Office for generating global PPPs.

VIII. Conclusions

65. The 2011 round begins with a solid foundation built on the success of the 2005 round. The Asia-Pacific region had the added advantage of having participated in ADB regional technical assistance projects – the Update of the 2005 ICP to 2009 which kept the concept of PPP alive; and the Supply and Use Tables, which provide the foundation for disaggregating gross domestic expenditure estimates into the necessary detailed breakdown. However, the most significant asset is the spirit of cooperation and commitment that has developed between participating countries and the regional coordinating agency.

66. The Committee may wish to:

- (a) Review the status of preparations thus far;
- (b) Provide further guidance on the work plan and timetable.